

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES  
BILATERAL AGREEMENT BETWEEN UNITED STATES POSTAL  
SERVICE AND ROYAL MAIL GROUP, LTD (MC2010-34)  
NEGOTIATED SERVICE AGREEMENT

Docket No. CP2015-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1**  
(October 8, 2014)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 1, issued on October 6, 2014. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Please confirm (or explain why you cannot confirm) that the Postal Service's request in this docket is independent of the Royal Mail Group Inbound Air Parcel Post Agreement (Royal Mail Agreement), Docket Nos. MC2009-24 and CP2009-28.

**RESPONSE:**

Confirmed. The request in this docket is independent of the Royal Mail Group Inbound Air Parcel Post Agreement in Docket Nos. MC2009-24 and CP2009-28. The Postal Service determined that the previous Air CP agreement with Royal Mail was not a suitable model for the agreement in this docket, because the new bilateral required different terms in order to satisfy both parties.

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2. Please confirm (or explain why you cannot confirm) that the parcels that eventually may be sent (via outbound mail) pursuant to the IMRS requested in this docket would "originate" as inbound mail.

**RESPONSE:**

Confirmed. The Postal Service expects that a given parcel that is ultimately returned to the online retailer in the United Kingdom from the United States using the IMRS product would have entered the United States at some earlier point as inbound mail dispatched by Royal Mail. Every IMRS return label has to be generated using Royal Mail's proprietary shipping system (similar in function to the US Postal Service's Global Shipping Software), so the return product is only accessible to users of Royal Mail's system. The process by which items enter the United States and are later returned to the United Kingdom are established in the "operational procedures" section in Annex 1 of the agreement.

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3. Please confirm (or explain why you cannot confirm) that there is currently no listing for a Royal Mail Agreement within the Inbound Competitive Multi-Service Foreign Postal Operator 1 grouping in the MCS.

**RESPONSE:**

Confirmed.

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4. United States Postal Service Notice of Filing Functionally Equivalent Agreement with Royal Mail Group, Ltd., October 1, 2014 (Notice), states that IMRS was created as an ancillary product in bilateral agreements with Canada Post and Australia Post. Notice at 4.
  - a. Please confirm that the referenced Canada Post and Australia Post "parent" agreements are listed within the Inbound Competitive Multi-Service Foreign Postal Operator 1 grouping in the MCS.
  - b. Please confirm that the IMRS parcels in the referenced Canada Post and Australia Post agreements are inbound parcels.
  - c. Please confirm that if the request in this docket is approved, the IMRS parcels would be outbound parcels.

**RESPONSE:**

- a. Confirmed. The parent agreements with Australia Post and Canada Post are both listed in section 2515.10.5 of the MCS. Additionally, both agreements contain some market dominant streams, so they are also listed in section 1602.3.5 for Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators. The IMRS product itself is competitive. Had the parties to either instrument intended to activate return flows from the United States to Canada or Australia, the agreements would have included rates for these flows, and the Postal Service would have included any revenue from those flows in its comprehensive financial summary in the prior dockets. It would not have made much sense to exclude any revenue arising from U.S. origin returns from the comprehensive bilateral and treat it separately for PRC filing purposes.
- b. Confirmed. The parcels covered by the IMRS agreements between Australia Post and Canada Post are items being returned to merchants in the United States from consumers in Canada or Australia.

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c. It is confirmed that parcels under the agreement being reviewed in this docket would originate from the United States and destinate in the United Kingdom. In this sense, the parcels would consist of "outbound" traffic. However, this service is essentially an ancillary service for inbound parcels originating in the United Kingdom to the United States. This is explicitly contemplated in the existing classification language at section 2515.10.1.a, which provides "[s]uch agreements may also establish negotiated prices for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement."

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5. Please confirm (or explain why you cannot confirm) that the request in the Notice is part of a broader agreement with Royal Mail Group. If confirmed, please address when the Postal Service anticipates filing the broader Royal Mail agreement.

**RESPONSE:**

This is not confirmed. The Postal Service maintains an ongoing relationship with Royal Mail, and the two postal operators are continually exploring additional opportunities to enhance mail services between their respective countries. However, at this time, this is the only service at issue in this proceeding. Should the Postal Service and Royal Mail develop a comprehensive bilateral, the Postal Service will submit inbound rates for review by the Commission.

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6. Please confirm (or explain why you cannot confirm) that the request in this docket can be characterized as including an outbound ancillary service within an inbound product.

**RESPONSE:**

Confirmed that IMRS is an ancillary service to inbound parcel services.

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7. Please provide proposed MCS treatment for the service requested in this docket.

### RESPONSE:

The Postal Service believes that the instant agreement belongs in MCS section 2515.10,1 as the service is ancillary to inbound services. The MCS text provides that “[s]uch agreements may also establish negotiated prices for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.” The Postal Service accordingly requests that this agreement be added to the list of Inbound Competitive Multi-Service Agreements with Foreign Postal Operators in section 2515.10.5 of the Mail Classification Schedule.

#### 2515.10.5 Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

- Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1

##### *Baseline Reference*

Docket Nos. MC2010-34 and CP2010-95  
PRC Order No. 546, September 29, 2010

##### *Included Agreements*

China Post Group, CP2014-39, expires June 30, 2015

Posten Norge AS (Norway Post), CP2014-35, expires TBD

Australian Post Corporation, CP2014-12, expires December 31, 2015

Canada Post Corporation, CP2014-13, expires December 31, 2015

Hongkong Post, CP2014-21, expires February 28, 2015

Royal PostNL BV, CP2013-24, expires December 31, 2014

Deutsche Post, CP2013-65, expires TBD

[Royal Mail, CP2015-1, Expires XXXXX](#)

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To the extent the Commission explicit mention of IMRS is necessary, the Postal Service offers the following amendment to the language of section 2515.10.1 for the Commission's consideration:

### **2515.10      Inbound Competitive Multi-Service Agreements with Foreign Postal Operators**

#### **2515.10.1      Description**

- a. Inbound Competitive Multi-Service Agreements with Foreign Postal Operators provide prices for acceptance, transportation within the United States, and delivery of any combination of Inbound Air Parcel Post, Inbound Surface Parcel Post, Inbound Direct Entry, and/or Inbound EMS (Express Mail Service) tendered by foreign postal operators. These constituent services may include other services that the relevant foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in a similar manner within the United States Postal Service's network. Such agreements may also establish negotiated prices for services ancillary to such items (including, but not limited to International Merchandise Return Service), and for customized competitive services developed for application solely in the context of the agreement.